

WASHINGTON (February 28) – Congressman Spencer Bachus (AL-6) today praised the introduction of the JOBS Act, a bipartisan package of bills that have previously been approved by the House Financial Services Committee. The JOBS (Jumpstart Our Business Startups) Act was unveiled during a press conference Tuesday afternoon at the U.S. Capitol.

Bachus is Chairman of the Financial Services Committee.

“Since the start of the 112th Congress, the Financial Services Committee has been a leader in advancing ideas that will jumpstart our economy and create jobs. The bills that make up the legislative package announced today came out of our committee with strong bipartisan support. They will empower small businesses and entrepreneurs to invest, hire and expand. They will help put Americans back to work. Once we get the JOBS Act through the House, it will once again be up to the Senate to decide whether to join us in helping small businesses create jobs or continue to stand by and do nothing,” said Congressman Bachus.

The JOBS Act is designed to help startups and entrepreneurs get off the ground, access investors and create jobs. These initiatives are supported by bipartisan members on both sides of the Capitol, as well as the President’s Jobs Council and the business community.

Jumpstart Our Business Startups (JOBS) Act

Bills included in the JOBS Act:

H.R. 3606: Reopening American Capital Markets to Emerging Growth Companies Act.□□ Approved by Financial Services Committee 54-1 on Feb. 16, 2012.

H.R. 3606, introduced by Rep. Stephen Fincher of the Financial Services Committee, establishes a new category of issuers, identified as “Emerging Growth Companies” (EGCs), which will be exempt from certain regulatory requirements until the earliest of three conditions: (1) five years from the date of the initial public offering; (2) the date an EGC has \$1 billion in annual gross revenue; or (3) the date an EGC becomes what is defined by the Securities and Exchange Commission (SEC) as a “large accelerated filer,” which is a company with a worldwide market value of outstanding voting and non-voting common equity held by

non-affiliates (also known as “public float”) of \$700 million or more). The regulatory relief provided by H.R. 3606 is designed to be temporary and transitional, encouraging small companies to go public but ensuring they transition to full conformity with regulations over time or as they grow large enough to have the resources to sustain the type of compliance infrastructure associated with more mature enterprises. The Committee favorably reported H.R. 3606 to the House by a vote of 54 to 1 on February 16, 2012.

H.R. 2940, the Access To Capital For Job Creators Act. Approved by the Financial Services Committee on October 26, 2011 and by the House 413-11 on November 3, 2011.

H.R. 2940, introduced by Rep. Kevin McCarthy of the Financial Services Committee, makes the exemption under the SEC’s Regulation D Rule 506 available to issuers even if the securities are marketed through a general solicitation or advertising so long as the purchasers are “accredited investors.” The legislation would allow companies greater access to accredited investors and to new sources of capital to grow and create jobs, without putting less sophisticated investors at risk. The Committee favorably reported H.R. 2940 to the House by a voice vote on October 26, 2011, and the House passed H.R. 2940 by a vote of 413 to 11 on November 3, 2011.

H.R. 2930, the Entrepreneur Access To Capital Act. Approved by the Financial Services Committee on October 26, 2011 and by the House 407-17 on November 3, 2011.

H.R. 2930, introduced by Rep. Patrick McHenry of the Financial Services Committee, creates a new registration exemption from the Securities Act of 1933 for securities issued through internet platforms also known as “crowdfunding.” To use this new exemption, the issuer’s offering cannot exceed \$1 million, unless the issuer provides investors with audited financial statements, in which case the offering amount may not exceed \$2 million. An individual’s investment must be equal to or less than the lesser of \$10,000 or 10 percent of the investor’s annual income. By exempting such offerings from registration with the SEC and preempting state registration laws, H.R. 2930 will enable entrepreneurs to more easily access capital from potential investors across the United States to grow their business and create jobs. The Committee favorably reported H.R. 2930 to the House by a voice vote on October 26, 2011, and the House passed H.R. 2930 by a vote of 407 to 17 on November 3, 2011.

H.R. 1070, the Small Company Capital Formation Act. Approved by the Financial Services Committee on June 22, 2011 and by the House 421-1 on November 2, 2011.

H.R. 1070, introduced by Rep. David Schweikert of the Financial Services Committee, raises the offering threshold for companies exempted from registration with the SEC under Regulation A from \$5 million — the threshold set in the early 1990s — to \$50 million. Raising the offering threshold helps small companies gain access to capital markets without the costs and delays associated with the full-scale securities registration process. H.R. 1070 provides the SEC with the authority to increase the threshold and requires the SEC to re-examine the threshold every two years and report to Congress on its decisions regarding adjustment of the threshold. The

Committee favorably reported H.R. 1070 to the House by a voice vote on June 22, 2011, and the House passed H.R. 1070 by a vote of 421 to 1 on November 2, 2011.

H.R. 2167, the Private Company Flexibility and Growth Act. Approved by Financial Services Committee on October 26, 2011.

H.R. 2167, introduced by Rep. David Schweikert of the Financial Services Committee, raises the threshold for mandatory registration under the Securities Exchange Act of 1934 from 500 shareholders to 1,000 shareholders for all companies and excludes securities held by shareholders who received such securities under employee compensation plans from the calculation. Raising the shareholder threshold would eliminate one impediment to capital formation for small companies. The Committee favorably reported H.R. 2167 to the House by a voice vote on October 26, 2011.

H.R. 4088, the Capital Expansion Act, a modified version of H.R. 1965, which passed the Financial Services Committee on October 26, 2011 and by the House 420-2 on November 2, 2011.

H.R. 4088, introduced by Rep. Ben Quayle, raises the threshold for mandatory registration under the Securities Exchange Act of 1934 from 500 shareholders to 2,000 shareholders for all banks and bank holding companies and raises the shareholder deregistration threshold from 300 shareholders to 1,200 shareholders. Raising the shareholder threshold for these small financial institutions will reduce their regulatory burdens and eliminate an impediment of raising equity capital from new shareholders without triggering SEC oversight in addition to prudential regulation.

A Few Important Facts

Emerging Growth Companies Drive U.S. Job Creation

- From 1980 to 2005, firms less than five years old accounted for all net U.S. job growth
- On average, 92% of a company's job growth occurs after an IPO
- Since 2006, companies have reported an average of 86 percent job growth since IPO
- Venture-capital backed revenue (former start-ups) accounted for 21 percent of U.S. GDP in 2010

Challenges for Emerging Growth Company IPOs

- Increased regulation makes IPOs more costly: the average cost to go public is \$2.5 million, and annual cost to stay public is \$1.5 million (includes Sarbanes-Oxley compliance, legal, and accounting costs)
- Fewer post-1999 IPOs involve emerging growth companies and focus instead on deal sizes exceeding \$50 million
- The economic infrastructure that enables small IPOs has been damaged by regulations

The IPO Market Has Stalled

- The U.S. IPO market has experienced a sharp decline over the last 15 years;
 - The pre-1999 average for IPOs was 547 per year;
 - After 1999 the U.S. averaged merely 192 IPOs per year, with the lowest being 45 IPOs in 2008.
-
- The time to IPO has doubled: the average age since company inception at IPO has gone from 4.8 years in the 1980s to 9.4 years since 2007;
 - Small IPOs – the best for job creation – have been hit hardest
 - From 1991-1997, nearly 80% of U.S. IPOs were smaller than \$50 million.
 - By 2000, only 20% of IPOs were smaller than \$50 million